

Radhika Desai

## ***Geopolitical Economy: After US Hegemony, Globalization and Empire. The Future of World Capitalism***

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The book by Radhika Desai titled *Geopolitical Economy: After US Hegemony, Globalization and Empire* and part of *The Future of World Capitalism* book series, represents a profound introspection, as well as an overview of the most important politico-economic relations in the world, from the late-19th century until the current period. This book deconstructs common myths present in the mainstream literature devoted to international political and economic relations by using a scientific approach oriented towards processes and laws of political economy. Drawing mainly on the critique of the hegemony stability theory (HST), and using the theoretical perspective of scientific Marxism, the author overturns cosmopolitan visions of the world and describes the political and economic prerequisites crucial for the functioning of the capitalist economy. This is a book that rejects the possibility of a contemporary world hegemony, which according to the author could not be conducted by any state, not even the U.S.A. Maybe the most important contribution of this book, as this reviewer sees it, is the deconstruction of mainstream ideas about the functioning of the world economy, and of ideas that Desai calls cosmopolitan and that include hegemony, globalization and "global economy", which dominate the discipline of international relations (and to which Desai refers as "the bourgeois discipline").

Desai's main thesis, around which the whole book is organized and meticulously explained in the first, "theoretical" chapter, is that the processes of uneven and combined development (UCD) characterize international relations of the modern world. These processes evolve in a dialectic in which, on the one hand dominant states tend to preserve the existing uneven configurations of capitalist development which favours them, including through formal and informal imperialism. On the other hand, contender states accelerate the capitalist, and in some cases

such as the USSR, communist development contests imperial projects of dominant states.

The states dominate the political economy on the domestic level, and the geopolitical economy on the international level. The uneven and combined development thesis most appropriately describes the world of modern capitalist international relations (pp. 2-3, 10-11). Therefore, it represents a theoretical starting-point for geopolitical economy. Uneven development characterizes the global economy, which cannot function without it. Powerful and developed states tend to seek the status quo while contender, developing, states want to change that order. Combined development is what makes the acceleration of development, and through it change, possible. Desai rejects the thesis that the capitalist economy is global. According to him, it is not truly global because it functions through different states which are in mutual competition to protect their interests. Capitalism cannot function without the state, as the state is central for capitalism.

In the second chapter 'The Materiality of Nations' the author, besides providing an understanding of the ideas of A. Smith, Hamilton, List, Keynes and Polanyi, also provides a novel interpretation of Marx and Engels' ideas in order to make the case for the materiality of nations, and recover "their theories of crisis from the disdain of most Marxist economics". The thesis that Marx and Engels, as well as the other afore-mentioned thinkers, were advocates of free trade (actually one way 'free trade' of industrialized goods from the colonial powers to colonies) is deconstructed, showing that they understood the centrality of such 'free trade' for imperialism and for the rise of the first industrialized state (the United Kingdom) to the status of the world power, achieving hegemony that will never again be repeated in the history of modern civilization. In order to overcome the paucity of demand, capital needs markets outside the borders of its homeland state, consequently creating formal (territorial) and, after the Second World War, mostly informal colonies. Later non-Marxist critics of capitalism, like Keynes and Polanyi, also understood that the state has a central role in capitalist societies. "They also advocated the extension of that role to promote full employment and social protection" (p. 20). During the Bretton Woods negotiations, Keynes suggested the creation of a multilateral currency and a clearing system that would minimize

trade imbalances. Nevertheless, the U.S.A. wanted to use the weaknesses of other powers and emulate the nineteenth century role of the United Kingdom, as a state that would dominate the world not through a system of formal colonies, but through “free trade” and the instalment of the dollar as the world's currency. Keynes's proposals were therefore rejected.

Chapter three, titled ‘The US Imperial Career’, deals mostly with the U.S. imperial past prior to the Second World War, thereby providing a historical account of the U.S.A.'s ambitions in taking over the role of the U.K. as the world's dominant power. However, the U.S.A. was never a “typical” colonial power, although it had a couple of its own colonies. The First World War (which started only a year after the Federal Reserve Bank was created!) completely exhausted the finances of European colonial powers, making them debtors of the U.S.A. This was crucial for the U.S. intentions of becoming the world's dominating power and of course, the dollar becoming the world's currency (instead of the sterling). The Second World War was the best opportunity for the U.S.A. and the dollar to take over the role of the U.K., thereby becoming the true successors to British world dominance. The intentions of the U.S.A. in creating its own empire through free trade were also present in the works of President Wilson's and Roosevelt's Geographer, I. Bowman (the author of “The New World”). The importance and the temptation of the possibility of world domination for the U.S. establishment in the Interwar Era was probably most directly expressed through the notion of the “American Century”, by H. Luce in 1941. He saw the upcoming war (the U.S.A. was still out of the war at that time) as an opportunity for establishing world dominance. The strength of the economic dominance of the U.S.A. after the Second World War, the true intentions of its establishment and the means of achieving them were best expressed in 1948 by G. F. Kennan's remarks about the position of the U.S.A. in the Post-War world and how it should be maintained:

We have about 50% of the world's wealth but only 6.3% of its population. (...) In this situation, we cannot fail to be the object of envy and resentment. Our real task in the coming period is to devise a pattern of relationships, which will permit us to *maintain this position of disparity* without positive detriment to our national security (quoted in Desai, p. 96).

Since even in the 1950s the U.S.A. was not able to maintain competitiveness and create a demand that was sufficient to maintain steady growth, it turned to “military Keynesianism” and “military Schumpeterianism” to create a national security complex, waging wars in Korea and Vietnam and developing a robust and sophisticated military industry that subsidised the demand needed for a capitalist economy to grow continuously.

In the chapter on HST the author deconstructs this theory, developed mostly by C. Kindleberger, who claimed that the U.S.A. was hegemonic at the world level until the oil shocks of the 1970s. It is shown that even in this “hegemonic era” the attempts of the U.S.A. to preserve the dollar as the world’s currency were never completely successful. The world role of the U.S.A. was slowly, but continuously, diminishing since Western Europe and Japan re-emerged as the second and the third pole of world economic growth.

The chapter titled ‘Renewal?’ explains the situation during the Nixon, Ford, Carter and Reagan administrations. The attempts to preserve the dollar failed and the gold window was finally abolished unilaterally by President Nixon in 1971 (p. 156). Contrary to those who regard this as a masterstroke, the dollar declined and stabilised only two years later when Nixon and his national security advisor, H. Kissinger, managed to initiate a quadrupling of oil prices, creating the “oil shocks”. This was the first in a series of attempts to save the dollar’s position as the world’s currency (p. 158-159). This “rescue operation” by “opening black gold window” continued in the next decades through a series of financializations, increasing capital inflows that helped the U.S.A in dealing with its own deficit. In this chapter, a false opinion that the Reagan era brought a restoration of U.S. hegemony and that deregulation and another military build-up that created “the Second Cold War” were useful for the U.S. economy in the long-term, is deconstructed.

On ‘Globalization’ and ‘Empire’ (the titles of chapters 7 and 8 significantly marked with a question mark), perspectives that dominated the 1990s and the 2000s respectively, the author claims they were based on the assumption that nation-states are not relevant to explaining the world order (globalization) or that only one nation-state (the U.S.A.) is relevant (empire). The author rejects both perspectives, maintaining the thesis that nation-

states are the key for the functioning of capitalism, since they dominate the political economy on the domestic level and geopolitical economy on the international level. Globalization theorists usually describe it as an unstoppable process beyond the influence of individual states. However, Desai thinks globalization was primarily the politico-economic paradigm of the Clinton administration, succeeded by the empire paradigm of the G. W. Bush administration. While the Clinton administration presided over the so-called "New Economy", which proved to be short-lived and easily reversed and sought to open new markets to US capital flows, economic growth during the Bush administration was mainly based on housing loans (financed by sub-prime mortgages and financial derivatives) and real-estate prices, which were overinflated. After the real-estate bubble collapsed, another crisis in capitalism occurred, creating what is now commonly referred to as the Great Recession.

The last chapter, titled 'Conclusion: The multipolar moment', deals with the current period of Obama's administration in the U.S.A, marked by the financial and real economic crisis of the developed world, and the rising of the contender states, especially BRIC states. Since the book was finished in 2012, it clearly does not contain the effects of increasing oil production, falling oil prices and the recovery of the U.S. economy within geopolitical economy. Among other conclusions, the author states that we live in a multipolar world comprised of probably more dominant and contender states than ever before, and hegemony of any state is and will be less realistic than ever, since civilisation became industrial and technological advancement occurred, creating the modern capitalist economy.

After reading this book, the conclusion is that it represents a very valuable asset if it is read carefully, not only for scientists, but also for graduate and Ph. D. students, as well as policy-makers. It opens different perspectives, and explains processes in a scientific, yet understandable way. It also connects various prior knowledge and understandings about the topics explained in the book into clear, causal relations.

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